



*Third Quarter
Ended January 31, 2009*

CORPORATE OFFICE:

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TRADING SYMBOL:

TSX: RVX

Notice to Reader

The management of Resverlogix Corp. is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim financial statements have not been reviewed by an auditor. These interim consolidated financial statements are unaudited and included all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

Dated: March 13, 2009

signed "Donald J. McCaffrey"
President and CEO

signed "Kelly McNeill"
CFO

RESVERLOGIX CORP.

Interim Consolidated Balance Sheets

	January 31, 2009 (unaudited)	April 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,338,223	\$ 2,349,373
Short term investments	762,444	15,664,215
Prepaid expenses and deposits	1,444,098	1,449,053
	<u>3,544,765</u>	<u>19,462,641</u>
Property and equipment (note 3)	753,209	893,971
Intellectual property and patents (note 4)	638,586	538,050
	<u>\$ 4,936,560</u>	<u>\$20,894,662</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,304,204	\$ 2,423,962
Accrued interest on debentures	97,850	770,901
Current portion of convertible debentures	6,324,229	—
	<u>10,726,283</u>	<u>3,194,863</u>
Convertible debentures (note 5)	—	12,210,272
Shareholders' equity: (note 6)		
Common shares	56,661,722	44,840,422
Convertible debentures equity component	10,213,917	11,229,884
Contributed surplus	15,437,960	13,545,093
Warrants	16,298,615	14,428,170
Deficit	(104,401,937)	(78,554,042)
	<u>(5,789,723)</u>	<u>5,489,527</u>
Nature of operations (note 1)		
Commitments (notes 4 and 7)		
	<u>\$ 4,936,560</u>	<u>\$20,894,662</u>

See accompanying notes to the interim consolidated financial statements.

RESVERLOGIX CORP.

Interim Consolidated Statements of Operations and Comprehensive Loss

	Three months ended January 31,		Nine months ended January 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Revenue:				
Interest income	\$ 9,340	\$ 274,140	\$ 164,587	\$ 928,081
Expenses:				
Research and development	4,220,007	3,151,489	11,652,043	10,236,715
General and administrative	737,524	723,558	2,076,280	1,908,308
Stock-based compensation	896,531	1,786,670	2,035,289	6,091,298
Interest and accretion on convertible debentures	430,165	983,327	1,982,612	3,750,796
Depreciation and amortization	60,693	116,491	203,219	345,752
Foreign exchange loss (gain)	154,520	(230,383)	1,294,028	(255,666)
	6,499,440	6,531,152	19,243,471	22,077,203
Gain on settlement of convertible debentures (note 5)	—	—	1,881,591	—
Net loss and comprehensive loss	6,490,100	6,257,012	17,197,293	21,149,122
Loss per common share – basic and diluted	\$ 0.26	\$ 0.24	\$ 0.61	\$ 0.83
Weighted average number of common shares	25,204,291	26,419,983	28,314,826	25,494,587

See accompanying notes to the interim consolidated financial statements.

RESVERLOGIX CORP.

Interim Consolidated Statements of Cash Flows

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Cash provided by (used in):				
Operations:				
Loss for the period	\$(6,490,100)	\$(6,257,012)	\$(17,197,293)	\$(21,149,122)
Items not involving cash:				
Stock-based compensation	896,531	1,786,670	2,035,289	6,091,298
Depreciation and amortization	60,693	116,491	203,219	345,752
Debenture accretion	140,105	266,335	610,147	1,305,932
Interest expenses paid in common shares	2,048	1,005,850	1,179,386	1,833,967
Accrued interest allocated to convertible debentures	–	–	684,507	–
Gain on settlement of convertible debentures	–	–	(1,881,591)	–
Unrealized foreign exchange (gain) loss	176,198	965,142	2,455,855	(1,733,397)
	(5,214,525)	(2,116,524)	(11,910,481)	(13,305,570)
Changes in non-cash working capital:				
Prepaid expenses and deposits	(143,505)	(975,383)	4,955	(816,667)
Accounts payable and accrued liabilities	1,396,329	554,643	1,768,059	(418,417)
Accrued interest on debentures	41,509	(287,600)	(671,801)	(245,713)
	(3,920,192)	(2,824,864)	(10,809,268)	(14,786,367)
Financing:				
Proceeds (redeemed) convertible debentures (net of issue costs)	–	–	(5,260,600)	25,405,281
Proceeds from exercise of options and warrants	84,320	174,250	298,255	243,950
	84,320	174,250	(4,962,345)	25,649,231
Investing:				
Short term investments	4,032,137	(294,344)	14,901,771	(9,135,408)
Property and equipment additions	–	(2,833)	(28,611)	(341,955)
Patent additions	(43,790)	(28,623)	(134,382)	(95,085)
Non-cash investing working capital	(24,597)	–	21,685	–
	3,963,750	(325,800)	14,760,463	(9,572,448)
Increase (decrease) in cash and cash equivalents	127,878	(2,976,414)	(1,011,150)	1,290,416
Cash and cash equivalents, beginning of period	1,210,345	4,810,012	2,349,373	543,182
Cash and cash equivalents, end of period	\$ 1,338,223	\$ 1,833,598	\$ 1,338,223	\$ 1,833,598

Certain amounts have been reclassified for comparative purposes

See accompanying notes to the Interim consolidated financial statements.

RESVERLOGIX CORP.

Notes to Interim Consolidated Financial Statements

As at January 31, 2009 and 2008

The interim consolidated financial statements of Resverlogix Corp. (the "Company") were prepared by management using accounting policies and methods of their application consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2008. The disclosure, which follows, is incremental to the disclosure included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended April 30, 2008.

1. Nature of operations:

Resverlogix Corp. is an emerging biopharmaceutical company focused on development of novel therapeutics in cardiovascular disease, and related indications in vascular inflammation and Alzheimer's Disease. The Company also has therapeutics under development for the treatment of fibrotic diseases and cancer. The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned any revenue to date.

Research and development expenditures on these projects are as follows:

	Three months ended		Nine months ended		Cumulative since inception
	January 31,		January 31,		
	2009	2008	2009	2008	
NexVas PR	\$4,201,240	\$3,062,230	\$11,594,152	\$9,564,944	\$40,289,436
NexVas VI / ReVas	–	79,200	27,948	635,934	1,843,351
TGF- β Shield	–	10,059	–	35,837	735,221
NexVas AD	18,767	–	29,943	–	29,943
	<u>\$4,220,007</u>	<u>\$3,151,489</u>	<u>\$11,652,043</u>	<u>\$10,236,715</u>	<u>\$42,897,951</u>

The success of the Company is dependent on the continuation of the research and development activities, progressing the core technologies through clinical trials to commercialization and its ability to finance its cash requirements. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred significant losses to date, and with no assumption of revenues, is dependent on its ability to raise additional financial capital by continuing to demonstrate the successful progression of its research and development activities if it is to remain as a going concern. At January 31, 2009, the Company had \$2.1 million of cash and short term investments. The Company will require additional sources of financial resources prior to the end of March 2009 to ensure it has

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Notes to Interim Consolidated Financial Statements, page 2

As at January 31, 2009 and 2008

1. Nature of operations (continued):

sufficient working capital to fund its research development and corporate activities and manage its potential debentures commitments beyond January 31, 2010.

The Company has recently announced an U.S. \$20 million equity financing plan as described in Note 10 of the consolidated financial statements which as of the date of this filing has yet to close. The closing of this financing combined with other capital generation activities would provide the Company with sufficient resources to manage its commitments beyond January 31, 2010. The Company will continue to explore various alternatives to generate positive cash flow including raising additional equity, product out-licensing in Asia, as well as continuing its partnering discussions for the Company's core NexVasPR technology; however given the large uncertainty in the capital markets and the general business climate in the health care sector for potential business partners, there is no assurance that these initiatives will be successful.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and expenses that might be necessary should the company be unable to continue as a going concern.

2. Changes in accounting policies:

Effective May 1, 2008, the Company adopted the new recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosure*, Section 3863 *Financial Instruments – Presentation*, Section 1535, *Capital Disclosures*, Section, Section 3064, *Goodwill and Intangible Assets* and changes to Section 1400, *General Standards of Financial Statement Presentation*. These sections relate to presentation and disclosure only and did not have an impact on the Company's financial results.

Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include: more extensive disclosures about exposures to liquidity; currency and other price risks and an analysis of the sensitivity of net income for possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions.

Section 3863 carries forward, without change, the presentation-related requirements of Section 3861.

Section 1535 requires the disclosure of: an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance.

Section 3064 replaces CICA 3062 - *Goodwill and Intangible Assets* and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets, whether separately acquired or internally developed, and

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Notes to Interim Consolidated Financial Statements, page 3

As at January 31, 2009 and 2008

2. Changes in accounting policies (continued):

provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Section 1400 has been amended to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Disclosure is required for material uncertainties related to events or conditions that may cast doubt on the ability to continue as a going concern.

Recent accounting pronouncements

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, in the first quarter of the 2012 fiscal year with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements.

3. Property and equipment:

January 31, 2009	Cost	Accumulated depreciation	Net book value
Laboratory equipment	\$ 1,388,732	\$ 697,618	\$ 691,114
Office furniture and equipment	70,071	51,816	18,255
Computer equipment	216,396	175,659	40,737
Computer software	77,927	75,675	2,252
Leasehold improvements	463,315	462,464	851
	<u>\$ 2,216,441</u>	<u>\$ 1,463,232</u>	<u>\$ 753,209</u>
April 30, 2008			
Laboratory equipment	\$ 1,374,807	\$ 585,526	\$ 789,281
Office furniture and equipment	65,093	45,263	19,830
Computer equipment	206,689	145,664	61,025
Computer software	77,927	71,360	6,567
Leasehold improvements	463,314	446,046	17,268
	<u>\$ 2,187,830</u>	<u>\$ 1,293,859</u>	<u>\$ 893,971</u>

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As at January 31, 2009 and 2008

4. Intellectual property and patents:

January 31, 2009	Cost	Accumulated amortization	Net book value
Acquired property (NexVas™)	\$ 818	\$ 216	\$ 602
Patents	756,371	118,387	637,984
	<u>\$ 757,189</u>	<u>\$ 118,603</u>	<u>\$ 638,586</u>
April 30, 2008			
Acquired property (NexVas™)	\$ 818	\$ 182	\$ 636
Patents	743,787	99,259	644,528
Patent abandonment	(121,798)	(14,684)	(107,114)
	<u>\$ 622,807</u>	<u>\$ 84,757</u>	<u>\$ 538,050</u>

The Company has chosen to abandon two of its early patent applications for the year ended April 30, 2008, after the Company received the first substantive office actions for the application. The Company chose to abandon these patent applications to pursue other patent applications that are more closely in line with the Company's current scientific objectives and business plan. The remaining unamortized costs noted in the schedule above were expensed during the three months ended July 31, 2008.

In October 2004, the Company entered into an exclusive license agreement that expands the number of proprietary compounds that the Company can test, manufacture, market, sell or sublicense. The agreement expires on the later of 20 years or the expiration of the last patent covered under the license agreement. As consideration the Company paid an initial license fee of U.S. \$25,000. In addition, the Company is required to make additional payments of U.S. \$50,000 upon the discovery of each nutraceutical which contains a compound protected by the patent which will be used in a commercial context and a payment of U.S. \$300,000 upon the first enrolment of a patient into a regulatory approved Phase 1 Clinical Trial for a pharmaceutical compound protected by the patent.

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As at January 31, 2009 and 2008

5. Convertible debentures:

Convertible debentures and its equity components consist of the following:

	U.S. \$17 million Carrying Value	U.S. \$25 million Carrying Value	Total Amount
Balance, April 30 2007	\$ 14,694,289	\$ —	\$ 14,694,289
June, 2007 debenture issuance	\$ —	\$ 26,630,000	\$ 26,630,000
August, 2007 – accrued interest	127,649	655,411	783,060
Debenture issue costs	(1,568,212)	(2,014,474)	(3,582,686)
Warrants issued to debenture holders	—	(7,056,116)	(7,056,116)
Portion allocated to equity	—	(2,202,559)	(2,202,559)
Conversions to common shares	(12,496,900)	(4,176,999)	(16,673,899)
Accretion of non-cash effective interest expense 519,235	1,022,079	1,541,314	
Foreign exchange translation	(1,033,407)	(889,724)	(1,923,131)
Balance, April 30, 2008	\$ 242,654	\$ 11,967,618	\$ 12,210,272
Conversions to common shares	\$ —	\$ (1,364,807)	\$ (1,364,807)
Accretion of non-cash effective interest expense	2,820	607,327	610,147
Debenture issue costs	—	(40,600)	(40,600)
Retirement/Redemption of debentures	(283,123)	(7,932,561)	(8,215,684)
October 2008 amendment – accrued interest	—	684,507	684,507
October 2008 amendment – Jan 07 debenture transfer	—	322,867	322,867
Foreign exchange translation	37,649	2,079,878	2,117,527
Balance, January 31, 2009	\$ —	\$ 6,324,229	\$ 6,324,229

The Company has issued U.S. \$42 million of senior secured convertible debentures in two separate issuances of U.S. \$ 17 million and U.S. \$25 million on January 4, 2007 and June 6, 2007 respectively. The Company amended the U.S. \$25 million issuance of convertible debentures on August 31, 2007 to eliminate certain Interest to Maturity provisions contained in the financing and reduce the then in effect adjusted interest rate of 14% to a 12% fixed rate (see additional details of the amendment under **“U.S. \$ 25,000,000 Convertible Debenture Financing - Amended August 31, 2007”**).

On October 15, 2008, the Company redeemed U.S. \$10 million of the outstanding remaining combined unconverted debentures of U.S. \$17.3 million from the January and June issuances and amended the terms of the remaining debt (see additional details under **“U.S. \$10 million Debt Redemption and Amendment - U.S. \$17.3 million Convertible Debt”**).

The following headings describe the convertible debenture financings and the amendments described above.

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Notes to Interim Consolidated Financial Statements, page 6

As at January 31, 2009 and 2008

5. Convertible debentures (continued):

U.S. \$17,000,000 Convertible Debenture Financing – Issued January 2007

The Company issued \$17.0 million (U.S.) of senior secured convertible debentures on January 4, 2007 with a maturity on January 4, 2010. As of October 14, 2008, the remaining debenture carried an interest rate of 15% per annum, an increase of seven percent from its initial coupon rate due to provisions in the debt instrument that altered the rate if certain trading conditions occurred where the Company's share price closes below the conversion price of the debenture.

The Company completed an amendment to the financing on October 15, 2008 which transferred the remaining face value of U.S. \$278,000 of unconverted debentures under the original note to an amended convertible debenture. The amendment results in a three percent decrease in the interest rate to a 12% fixed rate, eliminated the interest to maturity interest obligations under the original note as described below and extends the maturity of the outstanding balance to June 6, 2012.

As part of the October 15, 2008 amendment, the conversion price of the remaining debentures which are convertible into common shares was amended from \$12.07 per share to \$2.61 per share. In addition, 336,533 of the original 408,647 accompanying warrants issued on January 4, 2007 were amended to \$3.07 per share from \$10.25 per share as amended on August 31, 2007. All of terms are further described below (**see "U.S. \$10 million Debt Redemption and Amendment - U.S. \$17.3 million Convertible Debt"**).

The transfer and change to the terms of remaining January 2007 convertible debentures resulted in a settlement with a gain on settlement of convertible debentures of \$80,000, a decrease within the liability portion of the convertible debentures of \$283,000 and an increase to the deficit of \$120,000.

The remaining 72,114 warrants which were not part of the October 15, 2008 amendment continued to be subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the exercise price. In addition, if such an adjustment occurs, the number of warrant shares will be adjusted proportionately so the number of warrant shares will have the same aggregate exercise value in effect prior to such adjustment. During the three month period ending January 31, 2009, the Company issued stock options which are subject to the anti-dilution provisions of the warrants noted above. The warrants were adjusted to \$3.07 from \$10.25 and an additional 168,657 warrants were issued to proportionately provide the same aggregate exercise value under the provisions.

Under the original terms of the January 2007 debenture, the Company at its option may, subject to certain restrictions, pay the semi-annual interest in the form of cash, common shares or some combination thereof. If the interest obligation was paid in shares, the number of common shares issued would be based on the interest obligation divided by 90% of the volume weighted average price for the 5 trading days preceding the interest payment date. Prior to the October 15, 2008

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Notes to Interim Consolidated Financial Statements, page 7

As at January 31, 2009 and 2008

5. Convertible debentures (continued):

amendment, the Company elected to pay its July 1, 2008 semi-annual interest obligations of \$16,686 U.S. with 1,733 common shares.

In addition, prior to the October 15, 2008 amendment, the terms of the January 2007 debenture contained a provision where the Company was obligated to make additional payments using the interest methodology at defined in the debenture agreement at the then applicable rate on the converted amount commencing on the conversion date through to the end of the maturity date of the debenture ("Interest to Maturity"). This Interest to Maturity provision would occur in circumstances where the Company's share price trades at or below the conversion price then in effect for a pre-determined period of time and the holders convert their debentures at such time. The Company, at its election, could pay the interest in cash, common shares or some combination thereof. No Interest to Maturity obligations were incurred during the nine months ended January 31, 2009 and such provisions have been eliminated under the October 15, 2008 amendment.

U.S. \$25,000,000 Convertible Debenture Financing – Amended August 31, 2007

On June 7, 2007, the Company issued \$25 million U.S. of convertible debentures. On August 31, 2007, the Company amended the terms of the \$25 million U.S. issued convertible debentures issued June 2007 to eliminate the Interest to Maturity provisions contained in the financing (as described under the original January 2007 debenture) and reduce the then in effect adjusted interest rate of 14% to a 12% fixed rate. In exchange for these amendments, the conversion price was amended to \$8.76 from the original conversion price of \$17.50. In addition, the warrants issued under the June 2007 financing were re-priced to \$10.25 from \$20.63 and an additional 529,351 warrants have been issued for a total issuance of 1,058,702.

The effect of the modification on August 31, 2007 to the U.S. \$25 million convertible debentures and the related warrants was an increase to the convertible debentures equity component of \$13.1 million, an increase to the related warrants of \$3.7 million and a corresponding increase to deficit of \$16.8 million within Shareholders' Equity. The modification had no significant impact of the liability portion of the convertible debentures.

The Company as part of the October 15, 2008 financing amendment has redeemed a portion of the outstanding U.S. \$17.0 million face value of unconverted August 31, 2007 debentures and amended the terms for the balance not redeemed. The conversion price of the remaining debentures which are convertible into common shares was amended from \$8.76 per share to \$2.61 per share. In addition, 931,658 of the 1,058,702 accompanying warrants issued on August 31, 2007 were amended to \$3.07 per share from \$10.25 per share. All of terms are further described below (see **"U.S. \$10 million Debt Redemption and Amendment - U.S. \$17.3 million Convertible Debt"**).

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Notes to Interim Consolidated Financial Statements, page 8

As at January 31, 2009 and 2008

5. Convertible debentures (continued):

The remaining 127,044 warrants which were not part of the October 15, 2008 amendment continued to be subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the exercise price. In addition, if such an adjustment occurs, the number of warrant shares will be adjusted proportionately so the number of warrant shares will have the same aggregate exercise value in effect prior to such adjustment. During the three month period ending January 31, 2009, the Company issued stock options which are subject to the anti-dilution provisions of the warrants noted above. As a result, the warrants were adjusted to \$3.07 from \$10.25 and an additional 297,126 warrants were issued to proportionately provide the same aggregate exercise value under the provisions.

Prior to the October 15, 2008 amendment, the August 31, 2007 convertible debentures provided the holders with a once monthly 5% put option of principal amount at the time of issuance. The put option provided the holder with the ability to request a portion of the principal to be repaid for cash, shares or some combination thereof. The Company had the option to pay the put obligation with shares if the closing bid price for common shares at the time of the put date is greater than \$4.00 and the total dollar value traded on the trading market for no less than 10 of such 20 consecutive Trading Days shall be at least \$250,000 ("Equity Conditions"). If the put was paid in shares, the put price to determine the number of shares was the lesser of the conversion price and the volume weighted average price 5 days preceding the put date. The monthly put options were cumulative, where the previous monthly put options were not exercised, but at no time could the holder request any amount in cash greater than the once monthly put option of 5% of the original principal amount plus accrued interest. The cumulative put in excess of the 5% monthly put option ("Excess Put") could be paid in common shares and was not subject to the Equity Conditions. The first put option was available to the holders after October 31, 2007.

Under the August 31, 2007 amendment, the Company at its option could, subject to certain restrictions, pay the semi-annual interest in the form of cash, common shares or some combination thereof under the same formula and used with the January 2007 financing. The Company could elect to pay in common shares in whole or in part, only if the Equity Conditions are met, unless otherwise waived by the debenture holder.

U.S. \$10 million Debt Redemption and Amendment - U.S. \$17.3 million Convertible Debt

Effective October 15, 2008, the Company redeemed U.S. \$10 million of debt and amended the terms of the combined remaining U.S. \$7.3 million debt from the initial U.S. \$42 million of convertible debentures issued in January and June 2007 respectively. The Company redeemed the debentures with U.S. \$4.5 million in cash and U.S. \$5.5 million with 2,444,445 common shares at a price of \$2.61 per common share. The early redemption and amendment to the terms of the remaining debt includes an agreement with the debenture holders to withhold all future put notices until March 31, 2009 and amend such 5% monthly put options or Excess puts for common shares at market price, defined as the 5 day volume weighted average price as described under the August 31, 2007 amendment above, to a cash option only. As noted above,

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As at January 31, 2009 and 2008

5. Convertible debentures (continued):

the conversion price for the remaining debt has been amended to \$2.61 from \$8.76 and \$12.07 respectively for the remaining August 2007 and January 2007 debentures. The conversion price is subject to certain anti-dilution adjustments which would reduce the price if the Company issues additional common shares or financial instruments that can be converted to common shares below the conversion price. In addition, 336,533 January 2007 warrant shares and 931,658 June 2007 warrant shares were amended to \$3.07 per common share from \$10.25.

The amended principal balance at October 15, 2008 of U.S. \$7,890,280 included the January and June 2007 outstanding convertible debentures of U.S. \$278,334 and U.S. \$7,021,854 respectively, which included accrued interest of U.S. \$590,092 up to the date of the amendment and has a maturity date of June 6, 2012.

The effect of the settlement on October 15, 2008 for U.S. \$10 million convertible debentures redeemed with cash and shares and the amendment of the remaining terms was a gain on settlement of convertible debentures of \$1.8 million, a decrease within the liability portion of the convertible debentures of \$7.9 million, a net increase to the convertible debentures equity component of \$380,000, an increase to share capital of \$7.4 million, and an increase to the deficit of \$6.7 million. In addition, the amendment to the warrants resulted in a change to the fair value of the warrants giving effect to an increase to the warrants within shareholders' equity of \$1.2 million with a deemed dividend which increased the deficit by the same value.

As of the three month period ended January 31, 2009, U.S. \$225,400 of debt at its face value was converted to 104,786 of common shares at the amended conversion price of \$2.61 per common share. As of January 31, 2009, the remaining convertible debenture has been reclassified as a current liability for financial statement presentation to provide for the Company's potential obligation to settle the holder's remaining Excess Put option, which would become payable in less than one year from the balance sheet date if the option was exercised.

The Company at its option can initiate a mandatory conversion option which requires the holders to convert all of their debentures to common shares when the Company's share price trades over \$5.22 for 20 consecutive trading days, subject to conditions as follows:

- (i) Average daily volumes on the trading market are at least 100,000 shares for 20 consecutive trading days.
- (ii) Each of the equity conditions has been satisfied during such 20 trading days and through the applicable conversion date.

In addition, at any time after January 12, 2009, the Company shall have the option to redeem all, or a portion of, the principal (including any accrued and unpaid interest) amount of the convertible debenture then outstanding at 125% of the redemption amount. For the quarter ended January 31, 2009, the Company has not redeemed any of the outstanding convertible debentures.

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5. Convertible debentures (continued):

The Company is permitted to sell assets at fair market value up to the period ending April 15, 2009 provided the proceeds of any such sale must be used to pay down the outstanding principal at 125% of the face amount of the debentures.

In the event of default on the convertible debenture or upon a change of control, the holder has the option to require the Company to repurchase all or any portion of the outstanding principal at a price equal to the greater of 125% of (i) the outstanding principal, plus all accrued interest or (ii) the 5 consecutive day average closing price attributed to the underlying shares, plus all accrued interest. The holders' security interest continues in effect against any and all assets of the Company in the event a default can not be cured under the terms of the senior secured debenture agreement.

The amended warrants continue to carry anti-dilution provisions which would reduce the exercise price of \$3.07 if the Company issues additional common shares or financial instruments that can be converted to common shares below the exercise price. In addition, if such an adjustment occurs, the number of warrant shares will be adjusted proportionately so the number of warrant shares will have the same aggregate exercise value in effect prior to such adjustment. Notwithstanding the foregoing, no adjustment will be made with respect to this paragraph of the first issuance of common shares and common share equivalents made after October 14, 2008 and prior to April 15, 2009, if the aggregate gross proceeds received, or to be received (not including any proceeds to be received from the exercise of any warrants issued in connection with the First Issuance), by the Company associated with such issuance is less than \$20 million.

The Company incurred legal costs of \$40,600 as part of the October 15, 2008 amendment. These costs were recorded net of the remaining convertible debentures and are taken into earnings using the effective interest method.

During the quarter ended January 31, 2009, the Company paid its January 1, 2009 semi-annual interest obligation of U.S. \$202,971 with cash and settled accrued interest obligations of U.S. \$1,678 due on conversion of convertible debentures with the issuance of 823 common shares.

6. Shareholders' equity:

(a) Common shares

(i) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series with rights as determined by the Board of Directors at the time of issue.

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6. Shareholders' equity (continued):

(ii) Issued and outstanding:

Common shares	Number of shares	Amount
Balance, April 30, 2007	24,098,031	\$20,540,096
Conversion of debentures	2,617,754	16,673,899
Interest costs paid in common shares	141,375	1,877,806
Issued on exercise of stock options	43,000	389,460
Transfer from equity component on conversion of debentures		5,359,161
Balance, April 30, 2008	26,900,160	\$44,840,422
Conversion of debentures	346,033	1,364,807
Interest costs paid in common shares	121,153	1,179,386
Issued on exercise of stock options	116,200	440,677
Redemption of convertible debentures	2,444,445	7,452,765
Transfer from equity component on conversion of debentures		1,383,665
Balance, January 31, 2009	29,927,991	\$56,661,722

(b) Stock options:

On October 27, 2006, the Company amended its existing stock option plan with the approval of security holders in order to comply with new guidance from the Toronto Stock Exchange on Section 613 of the TSX Company Manual and Staff Notice 2006-001 related to security based compensation arrangements. The amended plan provides for detailed amendment procedures pursuant to the Staff Notice 2006-0001, requiring security holder approval prior to certain changes being made to security based compensation plans. Notwithstanding the provisions of the detailed amendment procedures, approval must be obtained from security holders for an amendment to any stock option agreement that would reduce the exercise price or extend the expiry date of options granted to an insider.

The amended plan has been approved as a rolling 10% plan that allows for reservation of a number of Common Shares under the plan equal to 10% of the Company's issued and outstanding Common Shares on an undiluted basis. Additionally, the provisions have been added to make the plan a reloading plan, which allows any options under the plan that expire, are cancelled or are exercised, the number of Common Shares reserved for issuance related to these options automatically become eligible to be reallocated pursuant to stock option based grants. The Company may grant options to its directors, officers, employees and consultants. The majority of options fully vest over two to three years and have a two to five year term.

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6. Shareholders' equity (continued):

(b) Stock options:

	January 31, 2009		April 30, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of period	3,994,200	\$ 6.96	3,297,200	\$ 5.16
Granted	105,000	3.07	790,000	14.42
Exercised	(116,200)	2.57	(43,000)	5.89
Expired	(1,173,000)	3.01	(50,000)	6.97
Outstanding at end of period	2,810,000	\$ 8.64	3,994,200	\$ 6.96
Weighted average remaining contractual life	1.99 years		2.3 years	

The following table summarized information about the options outstanding and exercisable at January 31, 2009.

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$1.50 - \$1.60	200,000	0.3	\$1.50	200,000
\$2.25 - \$3.07	305,000	2.5	\$2.53	200,000
\$5.27 - \$7.96	1,375,000	2.4	\$7.20	1,375,000
\$12.07 - \$12.95	330,000	3.1	\$12.47	86,250
\$14.16 - \$15.90	600,000	3.0	\$15.32	400,000
	2,810,000	2.5	\$8.64	2,261,250

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As at January 31, 2009 and 2008

6. Shareholders' equity (continued):

(b) Stock options:

There were 105,000 in options issued during the three months ended January 31, 2009 with a fair value of \$1.34 per option using the Black-Scholes option pricing model. In addition, stock options for consultants previously issued were re-valued to determine fair value for accounting purposes of stock based compensation at \$2.56 per option using the same option pricing model. The Black-Scholes option pricing model used the following weighted average assumptions:

	Nine months ended January 31,	
	2009	2008
Risk free interest rate	2%	4%
Expected life	4 years	4 to 5 years
Expected volatility	109%	84%-95%

(c) Warrants:

As part of the issuance of June 2007 convertible debentures, 529,350 accompanying warrants were issued to the holders of the convertible debt at an exercise price of \$20.63 per share. In August 2007, the warrants issued under the financing were re-priced to \$10.25 and an additional 529,352 warrants were issued as part of the Amended U.S. \$25,000,000 Convertible Debenture Financing. The effect of the modification was an increase in the warrant value of \$3,744,317.

On October 15, 2008, 1,268,191 of the warrants that were re-priced in August 2007 were amended to \$3.07 from \$10.25 as part of the U.S. \$10 million Debt Redemption and Amendment - U.S. \$17.3 million Convertible Debt. The effect of the modification was an increase in the warrant value of \$1,245,439.

During the three month period ending January 31, 2009, the Company issued stock options which are subject to the anti-dilution provisions of the remaining 199,158 warrants which were not amended at noted above. As a result, the warrants were adjusted to \$3.07 from \$10.25 and an additional 465,783 warrants were issued to proportionately provide the same aggregate exercise value under the provisions of the warrants. The effect of the modification was an increase in the warrant value of \$625,006.

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6. Shareholders' equity (continued):

(c) Warrants (continued):

The following table summarizes the changes in common share purchase warrants outstanding:

	Number of warrants	Amount	Weighted average exercise price
Outstanding, April 30, 2007	408,647	3,627,737	15.09
Granted in connection with convertible debentures	529,350	7,056,116	20.63
Cancelled	(937,997)	(10,683,853)	18.22
Amended in connection with convertible debentures	1,467,349	14,428,170	10.25
Outstanding, April 30, 2008	1,467,349	\$14,428,170	\$ 10.25
Cancelled	(1,467,349)	(14,428,170)	10.25
Amended in connection with convertible debentures	1,268,191	13,715,325	3.07
Amended in connection with Anti-dilution provisions	664,941	2,583,290	3.07
Outstanding, January 31, 2009	1,933,132	\$16,298,615	\$ 3.07

The estimated fair value of the warrants granted in January and June 2007 has been recorded net of the convertible debentures. The weighted average fair value of the warrants granted for the amended August 2007 and the amended October 15, 2008 convertible debentures was \$1.14 and \$2.19 per warrant respectively, using the Black-Scholes option pricing model with the following weighted average assumptions.

	2009	2008
Risk-free interest rate	1.3%-2.95%	4%
Expected life	2-5 years	4 years
Expected volatility	91%-107%	76%

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6. Shareholders' equity (continued):

(d) Contributed surplus:

The changes in contributed surplus balance are as follows:

	Amount
Balance, April 30, 2007	\$ 6,746,518
Options exercised	(136,230)
Fair value of options granted	6,934,805
Balance, April 30, 2008	\$13,545,093
Options exercised	(142,422)
Fair value of options granted	2,035,289
Balance, January 31, 2009	\$15,437,960

(e) Convertible debentures equity component:

The changes in convertible debentures equity component balance are as follows:

	Amount
Balance, April 30, 2007	\$ 1,320,428
June 2007 financing equity component	2,202,559
August 31, 2007 financing amendment	13,066,058
Reclassified to common shares on conversion of debentures	(5,359,161)
Balance, April 30, 2008	\$11,229,884
October 15, 2008 financing amendment and share redemption	3,051,243
October 15, 2008 cash redemption of equity component	(2,683,545)
Reclassified to common shares on conversions of debentures	(1,383,665)
Balance, January 31, 2009	\$10,213,917

On August 31, 2007, the Company modified the U.S. \$25 million convertible debentures, resulting in an increase to the equity component.

On October 15, 2008, the Company modified the August 31, 2007 amendment resulting in an increase to the equity component for the change in the conversion price of the debentures which was offset by the U.S. \$5.5 million common share redemption. The Company also redeemed U.S. \$4.5 million with a cash payment which resulted in a settlement and a corresponding reduction to the conversion feature recorded with the equity component

The non-cash amounts are transferred to common shares as the debentures are converted on a pro-rata basis and is further described in the notes of the Company's audited consolidated financial statements for the year ended April 30, 2008.

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6. Shareholders' equity (continued):

(f) Deficit

The changes in deficit are as follows:

	Amount
Balance, April 30, 2007	\$33,365,499
Modification of convertible debentures	16,810,375
Net loss and comprehensive loss for year ended April 30, 2008	28,378,168
Balance, April 30, 2008	\$78,554,042
Settlement and modification of convertible debentures	6,780,157
Dividend deemed on amendment of warrants	1,870,445
Net loss and comprehensive loss for nine months ended January 31, 2009	17,197,293
Balance, January 31, 2009	\$104,401,937

The modification of convertible debentures during the year ended April 30, 2008 is the result of the amendment to the U.S. \$25 million convertible debentures and the related warrants on August 31, 2007. The settlement and modification of the convertible debenture during the period ended October 31, 2008 is the result of the October 15, 2008 convertible debenture amendment to the remaining outstanding notes as described under Note 5. The change in the fair value of the warrants of \$1,245,439 resulting from the October 15, 2008 amendment of the convertible debentures, and the \$625,006 amendment of the affected warrants in connection with the anti-dilution provisions as described in Note 5 gave effect to a settlement which is deemed a dividend. The settlement, modification and dividend amounts are non-cash charges to the deficit within Shareholders' Equity.

(g) Per share amounts:

The loss per share has been calculated based on the weighted average shares outstanding during the period. The effect upon the conversion of stock options and warrants is anti-dilutive.

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7. Commitments:

The Company has entered into various research contracts. The Company is committed to pay \$3,610,950 for completion of the research, and all payments are anticipated to January 2011 as follows:

2010	\$ 2,792,825
2011	818,125

As at January 31, 2009, the Company was committed to operating lease payments for office and laboratory premises as follows:

2010	\$ 190,501
2011	150,332
2012	158,041
2013	53,965

8. Financial instruments risks:

Financial instruments of the company consist of cash and cash equivalents, marketable securities, amounts receivable, and accounts payable and accrued liabilities. As at January 31, 2009, there was no significant difference between the carrying values of these amounts and their estimated fair values due to their short term nature. The company manages its cash and cash equivalents and marketable securities in accordance with an investment policy that established guidelines for investment eligibility, credit quality, liquidity and foreign currency exposure.

(a) Credit Risk

Financial instruments that potentially subject the company to credit risk consist primarily of cash and cash equivalents and marketable securities. The company manages its exposure to credit loss by placing its cash with major financial institutions and investing in high-quality government and corporate issuers with low credit risk. The company invests in commercial paper with a Dominion Bond Rating Service (DBRS) rating of R-1 Low or higher, or equivalent Standard & Poor's (S&P) or Moody's Investor Service (Moody's) rating. The company invests in government and corporate bonds with a DBRS rating of A- or higher, or equivalent S&P or Moody's rating. At January 31, 2009, the Company does not hold any asset-backed commercial paper. Cash and cash equivalents held by the Company are not subject to any external restrictions.

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8. Financial instruments risks (continued):

(b) Liquidity Risk

The company's exposure to liquidity risk is dependent on purchasing commitments and obligations or the raising of funds to meet commitments and sustain operations. The company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the company manages its liquidity risk by investing in highly liquid corporate and government bonds with staggered maturities to provide regular cash flow for current operations. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business. The majority of the company's accounts payable and accrued liabilities have maturities of less than three months. In addition, due to the monthly 5% put option provided for under the convertible debenture financing as described in note 5 to these interim financial statements and its cumulative effect, the Company is exposed to potential cash repayments of the debenture after March 31, 2009 related to the put feature. These repayments if exercised on April 1, 2009 would approximate U.S. \$6.6 million plus accrued interest. Given these circumstances, the Company will require additional sources of financial resources prior to the end of March 2009 to ensure it has sufficient working capital to fund its research development and corporate activities and manage its potential debentures commitments.

(c) Market Risk

The company is exposed to interest rate risk arising from fluctuations in interest rates on its cash and cash equivalents, its short-term securities and its convertible debentures. Fluctuations in market interest rates on interest bearing cash and cash equivalents and short-term investments rates do not have a significant impact on the Company's results of operations due to their short-term nature. In addition, the adjusting interest rates from 10%-15% that existed for the January 2007 convertible debentures, did not have a significant impact on the Company's results as these have been amended to a fixed 12% rate as part of the October 15, 2008 amendment described under note 5 to these interim financial statements. A change of 1% in interest rates can lead to an increase or decrease of monthly interest income by \$1,700 for its cash and short-term investments as measured on January 31, 2009.

The Company is also exposed to foreign exchange risk on its US dollar denominated convertible debentures and its cash and cash equivalents and short-term investments. The company manages its exposure to currency fluctuations by holding cash and cash equivalents and short-term investments denominated in U.S. dollars in a certain ratio equivalent to current and long term U.S. dollar financial liabilities. As the convertible debentures are denominated in U.S. dollars, the Company is exposed to foreign exchange risk if the reduction of the debt through conversions to common shares does not occur at the same rate the U.S. cash and short-term securities is drawn down for funding operations. The Company had no forward exchange contract to manage its foreign currency risk.

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8. Financial instruments risks (continued):

As at January 31, 2009, the Company had U.S. denominated assets and liabilities of: cash and cash equivalents and short-term investments in the amount of U.S. \$895,000; accounts payable, accrued interest and liabilities of U.S. \$2,761,000; and convertible debentures with a carrying value of U.S. \$7,665,000. A change of \$0.01 in exchange rate can result in a foreign currency gain or loss of \$151,000.

9. Management of Capital:

The company's objectives when managing capital is to ensure there are sufficient funds available to carry out its research, development and commercialization programs. To date, the programs have been funded primarily through the sale of equity and convertible debt securities and the conversion of common share purchase warrants, and stock options. The company also sources non-dilutive funding by accessing grants, government assistance, and through partnerships with corporations and research institutions.

In managing capital, the Company estimates its future cash requirements by preparing a budget and a multiyear plan annually for review and approval by the Company's Board. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. The multi-year plan estimates future activity along with the potential cash requirements and is based on the Company's assessment of its current clinical trial progress along with the expected results from the coming year's activity. Budget to actual variances are prepared quarterly and reviewed by the Company's management and the Board of Directors. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, convertible debt and common share purchase warrants that upon exercise are converted to common shares. Management regularly monitors the capital markets attempting to balance the timing of issuing additional equity with the Company's progress through its clinical trial program, general market conditions, and the availability of capital. There are no assurances that funds will be made available to the Company when required.

The Company is exposed to certain covenants related to the convertible debenture financing as described in Note 5 of the consolidated financial statements. The Company was required to have at all times available cash of at least (i) \$20,000,000 as of December 31, 2007; (ii) \$15,000,000 as of March 30, 2008; (iii) \$10,000,000 as of June 30, 2008; and (iv) \$10,000,000 as of September 30, 2008, unless the outstanding principal and accrued interest related to the convertible is less than these values. For the nine month period ended January 31, 2009, the Company met its available cash covenants and its required interest obligations.

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10. Subsequent Event:

The Company announced on March 11, 2009, it is in the process of finalizing an arrangement to complete a U.S. \$20 million equity financing. The terms of the agreement also contemplate an optional US \$10 to US \$15 million equity placement within six months of the date of closing of the first financing.

Under the terms and conditions of the financing agreement, the financing is contingent on closing the full amount of the first financing (the "First Tranche"). Resverlogix would issue units (the "Units"), with each Unit comprising of one common share (a "Common Share") and 0.40 of a purchase warrant (a "Warrant") at a price of CDN \$2.72 per Unit. Each whole Warrant would entitle the holder to acquire for a period of five years an additional Common Share at a price of \$2.72 per share. The exact number of Units to be issued on closing will be based on the CDN/US currency exchange rate on the date prior to closing. There are currently 30,140,660 common shares of Resverlogix outstanding. The US \$20 million First Tranche is estimated to result in the issuance of 9,449,900 million common shares, based on March 10, 2009 closing exchange rate of 0.7781 at 16:30 EST. This represents dilution of 31% without taking into account exercise of the warrants and 44% assuming full exercise of the warrants. The actual dilution would be dependent upon the actual exchange rate used at the time of closing of the First Tranche. Given the level of potential dilution, the Company is using the "financial hardship" exemption from obtaining shareholder approval of the transaction pursuant to Section 604(e) of the TSX Company Manual. Under the rules of this exemption, a fully subscribed closing cannot occur prior to March 17th, 2009, being five business days following the issue of the news release.

In the event that Resverlogix elects to complete a further financing within 6 months of the date of closing of the First Tranche, it would do so under the terms for the second tranche (the "Second Tranche") provided for in the agreement. The agreement calls for a Second Tranche of US \$10-\$15 million of units (the "Second Tranche Units"), with each Second Tranche Unit consisting of one Common Share and 0.40 of a warrant (a "Second Tranche Warrant"). The price for each Second Tranche Unit would be equal to a twenty percent (20%) discount to the VWAP on the TSX of the common shares immediately prior to the closing date of the Second Tranche. The exercise price of each full Second Tranche Warrant would be equal to the same 5 day VWAP but without a discount.